



Guideline Impact Analysis Statement

Revised Guidelines

- C-1** **Impairment - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost** (previously Impaired Loans)
- C-5** **Collective Allowances - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost** (previously General Allowances for Credit Risk)
- D-1, D-1A, D-1B** **Annual Disclosures**
- D-5** **Accounting for Structured Settlements**
- D-6** **Derivatives Disclosure**
- D-9** **Source of Earnings Disclosure (Life Insurance Companies)**
- D-10** **Accounting for Financial Instruments Designated as Fair Value Option**
- E-12** **Inter-Segment Notes for Life Insurance Companies**

Rescinded Guidelines

- D-2** **Accounting for READC Project Financing Arrangements**
- D-3** **Accounting for NHA Mortgage Backed Securities**
- D-4** **Transfers of Financial Assets with Recourse**
- D-7** **Accounting for Reinsurance of Short-Term Insurance Contracts by Property & Casualty Insurance Enterprises**
- D-8** **Accounting for Transfers of Receivables including Securitizations**

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I. Problem Identification

In January 2006, the Canadian Accounting Standards Board (AcSB) announced its strategic plan to adopt International Financial Reporting Standards (IFRSs) rather than continue to develop accounting standards domestically for publicly accountable enterprises. All Federally Regulated Entities (FREs) are considered publicly accountable enterprises and must adopt IFRSs as required in AcSB's plan for fiscal years beginning on or after January 1, 2011.

Many of OSFI's existing guidelines provide additional guidance to FREs when applying Canadian Generally Accepted Accounting Principles (CGAAP) or make reference to CGAAP when providing non-accounting guidance. As these guidelines were not prepared under IFRSs, OSFI revised them as necessary to reflect the adoption of IFRSs in Canada.



OSFI's review also determined that a number of its guidelines were no longer necessary or appropriate. As such, OSFI has rescinded several guidelines.

II. Objectives

OSFI's objective is to ensure that its guidelines are necessary and appropriate given current IFRSs requirements, terminology and references.

The March 2010 Advisory "*Conversion to International Financial Reporting Standards (IFRSs) by Federally Regulated Entities (FREs)*" communicated OSFI's accounting and regulatory capital policy decisions resulting from the move to IFRSs. OSFI performed a detailed review and analysis of all guidelines in light of these decisions and the requirements under IFRSs. The detailed review resulted in revisions to a number of guidelines.

OSFI prioritized the review and analysis of its guidelines according to their expected impact when moving to IFRSs. Accordingly, OSFI carried out the work in two phases.

Phase 1 – Core guidelines:

Phase 1 comprised those guidelines associated with the four IFRSs core policy workstreams identified as having the most impact when moving to IFRSs, namely:

- (i) loan provisioning: guidelines C-1 and C-5,
- (ii) fair value option: guideline D-10,
- (iii) securitization: guidelines D-3, D-4, D-8, and
- (iv) insurance: guidelines D-5, D-7,

as well as the annual disclosure guidelines D-1, D-1A and D-1B

Phase 2 – Consequential guidelines:

Phase 2 comprised all other OSFI guidelines which may be impacted by the adoption of IFRSs and which were not identified in Phase 1, namely: D-2, *Accounting for READC Project Financing*, D-6, *Derivatives Disclosure*, D-9, *Source of Earnings (Life insurance companies)*, and E-12 *Intersegment Notes for Life Insurance Companies*. These guidelines required only minor consequential reference revisions.

III. Options and Assessment

For each guideline, OSFI considered its purpose, whether it is still necessary and appropriate under IFRSs, and if so, what revisions were necessary to ensure such guidelines will have the original intended effect under current IFRSs.

IV. Consultations

In developing the revisions, OSFI consulted with relevant stakeholders including FREs, audit firms, industry associations and the Canadian Accounting Standards Board to solicit feedback. Additionally, where revisions were associated with the Phase 1 Core guidelines, draft revisions were issued on OSFI's Web site for broad consultation.

V. Recommendations

Revisions to the guidelines vary as appropriate; some reflect minor consequential amendments, while others some are more significant.

Additionally, the following guidelines will be rescinded for fiscal years beginning on or after January 1, 2011 because they are no longer necessary after the adoption of IFRSs, but will remain effective for FREs with fiscal years beginning before January 1, 2011:

- D-2 Accounting for READC Project Financing Arrangements
- D-3 Accounting for NHA Mortgage Backed Securities
- D-4 Transfers of Financial Assets with Recourse
- D-7 Accounting for Reinsurance of Short-Term Insurance Contracts by Property & Casualty Insurance Enterprises
- D-8 Accounting for Transfers of Receivables including Securitizations

VI. Implementation & Evaluation

OSFI reviewed comments received on the Phase 1 draft guidelines and proposals for rescinding and revised the guidelines as appropriate. The 10 guidelines that have been revised will be effective with the date coinciding with the FREs' adoption of IFRSs for their fiscal year commencing on or after January 1, 2011. Guidelines that have been rescinded will remain effective for FRE fiscal years beginning before January 1, 2011.